

SENATE RECORD VOTE ANALYSIS

105th Congress
2nd Session

Vote No. 95

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EDUCATION SAVINGS ACCOUNTS/110% Education Charitable Deduction

SUBJECT: Education Savings Act for Public and Private Schools . . . H.R. 2646. Coats amendment No. 2297.

ACTION: AMENDMENT REJECTED, 46-54

SYNOPSIS: As amended, H.R. 2646, the Parent and Student Savings Account PLUS Act, will enact the compromise provisions of S. 1133, as reported, on education savings accounts and other education initiatives. It will expand the recently enacted education savings account tax credit, will provide an exclusion from gross income for distributions from qualified State tuition programs, will extend and expand the current-law section 127 tax exclusion (for employer-provided education assistance), and will assist local governments in issuing bonds for school construction by increasing the small-issuer bond exemption. The bill will also enact a proposal to give school construction aid to high growth districts. In total, approximately \$6 billion in tax relief for education over the next 10 years will be provided. That cost will be more than fully offset by modifying the employer deduction for vacation pay and by changing the treatment of the foreign tax credit carryback and carryforward periods (for increased revenues of \$6.9 billion over 10 years). The education tax credit will be expanded by increasing the annual contribution limit for education IRAs from \$500 to \$2,000 for taxable years 1999 through 2002 and by changing the definition of qualified education expenses to include kindergarten through twelfth grade (K-12) expenses (the credit currently applies only to higher education expenses).

The Coats amendment would increase to 110 percent the charitable deduction for donations to pay for K-12 educational scholarships for children who are from families whose income is below 185 percent of the poverty line. The cost of providing this tax benefit would be noncontroversial tax code changes (relating to error procedures for handling incorrect taxpayer identification numbers and to making certain customer receivables ineligible for mark-to-market treatment).

Those favoring the amendment contended:

We understand that there are a few very exclusive, posh private schools that cater to the children of millionaires. Some of our

(See other side)

YEAS (46)			NAYS (54)			NOT VOTING (0)	
Republicans (45 or 82%)	Democrats (1 or 2%)		Republicans (10 or 18%)	Democrats (44 or 98%)		Republicans (0)	Democrats (0)
Abraham	Hutchinson	Lieberman	Chafee	Akaka	Inouye		
Allard	Hutchison		Collins	Baucus	Johnson		
Ashcroft	Inhofe		Enzi	Biden	Kennedy		
Bennett	Kempthorne		Grassley	Bingaman	Kerrey		
Bond	Kyl		Hagel	Boxer	Kerry		
Brownback	Lott		Jeffords	Breaux	Kohl		
Burns	Lugar		Murkowski	Bryan	Landrieu		
Campbell	Mack		Nickles	Bumpers	Lautenberg		
Coats	McCain		Roth	Byrd	Leahy		
Cochran	McConnell		Specter	Cleland	Levin		
Coverdell	Roberts			Conrad	Mikulski		
Craig	Santorum			Daschle	Moseley-Braun		
D'Amato	Sessions			Dodd	Moynihan		
DeWine	Shelby			Dorgan	Murray		
Domenici	Smith, Bob			Durbin	Reed		
Faircloth	Smith, Gordon			Feingold	Reid		
Frist	Snowe			Feinstein	Robb		
Gorton	Stevens			Ford	Rockefeller		
Gramm	Thomas			Glenn	Sarbanes		
Grams	Thompson			Graham	Torricelli		
Gregg	Thurmond			Harkin	Wellstone		
Hatch	Warner			Hollings	Wyden		
Helms							

EXPLANATION OF ABSENCE:

- 1—Official Business
- 2—Necessarily Absent
- 3—Illness
- 4—Other

SYMBOLS:

- AY—Announced Yea
- AN—Announced Nay
- PY—Paired Yea
- PN—Paired Nay

wealthier colleagues may have attended such schools. However, we also understand that most private school students are from families of much more modest means. For instance, more than 70 percent of parochial school students are from families with incomes under \$35,000. In the average parochial school, one is more likely to find a student who is the son or daughter of some rich Senator's gardener, chauffeur, or chef than one is to find the son or daughter of a Senator. For most of these parents it is quite a sacrifice to pay to send their children to private schools. Everyone understands the reasons parents make that sacrifice. They want their children to go to schools that succeed in teaching children; they want their children to go to schools that are safe; they want their children to go to schools that have a moral environment. On all three scores many of our public schools are failing miserably, especially in the inner cities.

For many parents, again especially in the inner cities, it is just not financially possible to make that sacrifice. As even the most ardent opponents of this bill admit, this bill will finally make private school an affordable option for some of those parents. They will either be able to use their own funds, or they will be able to accept donations from relatives, friends, employers, or others to set up educational IRAs for their kids. Even with this help, though, some parents will still not be able to afford to leave the public schools. Though our liberal colleagues are desperate to keep the union-dominated public school rolls from declining even slightly, they have spent a great deal of time complaining about how unfair it is that this bill will not help every student escape from dangerous and failing public schools. Of course, they make that complaint not because they want to expand the option to more students, but because they want to deny it for more students in the name of "equity."

We, on the other hand, think that it is a wonderful idea to expand the opportunity to choose between public and private schools to even more low-income students. We have therefore offered the Coats amendment, which would follow the lead that has been taken by the private sector in helping out some of these poor students whom our colleagues say they are so interested in helping. All across America companies and charitable organizations have started elementary and secondary education scholarship programs for poor children. This amendment would encourage more such efforts by increasing the charitable deduction for them to 110 percent. Those programs have proven not only to help kids succeed, they have also served as a prod to get public school systems to finally make needed improvements. For instance, we well remember the testimony of the former 25-year superintendent of the Milwaukee public schools, who said: "I've tried everything. You can't name a reform proposal within the system that has worked. The unions block it. The public teachers don't want it. We've tried everything. I defy you to name an approach within the current public education system that forces change. Only one thing has forced change in the Milwaukee public schools, and that is the competition from private schools, the vouchers and the scholarships that have been available so that parents can vote with their feet and their children may have a choice. All of a sudden that has wakened up the Milwaukee public schools, which have said, 'We've got to change or we're going to lose these kids.'"

We personally do not care if students are educated in public or private schools. We only care if they are educated and are in safe and decent environments. The Coats amendment, by expanding the choices available to more parents for their kids, will lead to better educations for those kids. The teachers unions may not like the challenge to their monopoly control, but we support the Coats amendment because it is in the best interests of America's children.

Those opposing the amendment contended:

Argument 1:

We should be debating what will help our Nation's public schools. For instance, we should be figuring out how best the Federal Government can spend more money to hire more teachers, build more school buildings, and give teachers more training. The Coats amendment would go in exactly the opposite direction, by looking at ways to help more children abandon the public schools for private schools. We have nothing against private schools, but more than 90 percent of American children are in public schools, and it is those schools that need help. We urge our colleagues to reject this amendment, and then to join us in finding new ways that we can help America's public schools improve.

Argument 2:

We have total sympathy with the intent of this amendment but we cannot support it due to the means it would use. We are very leery of setting a precedent for giving a deduction worth 110 percent for just one charitable purpose. Once we gave it for this particular purpose, how could we deny it for others? It would not be long before we were inundated with write-off requests of 110 percent, 150 percent, and other percentages for various other types of charitable causes, such as cancer research or homeless shelters. Congress should not be in the business of assigning divergent values to various charitable pursuits, nor should it add such further complexity to the tax code. Therefore, we must reluctantly oppose the Coats amendment.